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HOLOGIC, INC., CYTYC CORPORATION and HOLOGIC LP

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN JOSE DIVISION

HOLOGIC, INC., CYTYC CORPORATION,  
and HOLOGIC LP,

Plaintiff,

vs.

SENORX, INC.,

Defendant.

Case No. C08 00133

**DECLARATION OF KATHARINE L.  
ALTEMUS IN SUPPORT OF PLAINTIFFS'  
OPPOSITION TO DEFENDANT'S MOTION  
FOR CONTINUANCE OF THE HEARING  
ON PLAINTIFF'S MOTION FOR  
PRELIMINARY INJUNCTION**

1 I, Katharine L. Altemus, declare that I am an associate in the law firm Howrey LLP and a  
2 member of the Bar of this court, and I serve as one of the outside counsel for Hologic, Inc., Cytoc  
3 Corporation and Hologic LP. The following declaration is based on my personal knowledge, and if  
4 called upon to testify, I could and would competently testify as to the matters set forth herein.

5 1. Attached hereto as Exhibit A is a true and correct copy of a Soleil Securities an Equity  
6 Research Company Update about SenoRx prepared by Soleil Securities Analyst Junaid Husain, dated  
7 January 11, 2008.

8 I declare under penalty of perjury that the foregoing is true and correct and that this declaration  
9 was executed on February 21, 2008 at East Palo Alto, California.  
10

11 By: /s/ Katharine L. Altemus  
12 Katharine L. Altemus  
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## **Exhibit A**



Equity Research  
Company Update

## SenoRx

SENO, \$8.81, Buy

Despite Patent Litigation, We Continue To Expect Full Launch Of Contura In CY08

January 11, 2008

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Ticker	SENO
Market Cap (M)	\$150.7
Price	\$8.81
52-Wk. Range	\$11-\$7
Rating	Buy
Price Target	\$13.00
Shares Out (M)	17.1
Dividend	\$0.00
Yield	0.0%
Trading Volume(M)	0.028
Market	NASDAQ

**Price:** Shares have traded publicly since 3/29/07.

**Price Target:** Valuation range: \$11-\$13

**Sector Opinion:** NA

### Action

We remain confident that SenoRx (SENO, Buy-rated) will push forward with full-scale launch of Contura in CY08, despite this morning's announcement that Hologic (HOLX, Buy-rated) has filed a patent infringement lawsuit against SENO. HOLX's complaint alleges infringement on patents relating to MammoSite. We have spoken to SENO and get the sense that this action from HOLX was expected—nevertheless, SENO is confident with its intellectual property and is moving forward with full-scale launch plans for Contura in 1Q:08. An initial hearing is expected this April, with Markman Hearings to follow. To some extent, today's news sounds similar to a patent infringement case between Xofig and Cytex Corporation (pre-acquisition), which was ultimately settled out of court. Net/net, while patent infringement cases are difficult to predict — and with this litigation playing out over 1-2 years, at least — we continue to expect \$7.4MM of Contura sales in CY08. Maintaining our Buy-rating on SENO.

Fiscal Year Dec		Fiscal Year			Calendar Year			Curr. Qtr.	Next Qtr.	Yr. Ago Qtr.
		F06A	F07E	F08E	F06A	F07E	F08E	4Q07E	1Q08E	4Q06A
Revenue	Current	25.5	35.2	50.4	25.5	35.2	50.4	10.4	11.0	—
	Previous	25.5	35.2	50.4	25.5	35.2	50.4	10.4	11.0	—
EPS	Current	(6.61)	(0.55)	(0.24)	(6.61)	(0.55)	(0.24)	(0.10)	(0.08)	—
	Previous	(6.61)	(0.55)	(0.24)	(6.61)	(0.55)	(0.24)	(0.10)	(0.08)	—
P/S	Current	5.9	4.3	3.0	5.9	4.3	3.0	—	—	—
P/E	Current	NM	NM	NM	NM	NM	NM	—	—	—

Revenues in millions, except when noted.

**HOLX Sues Over Key MammoSite Patents.** This morning, SenoRx (SENO, Buy-rated) announced that Hologic (HOLX, Buy-rated) had filed a lawsuit against SENO in the US District Court, Northern District of California, San Jose Division. HOLX's complaint alleges patent infringement of its brachytherapy patent claims, relating to its MammoSite product line in partial breast radiation treatment. Recall, SENO has a competing product in partial breast radiation therapy, the Contura (approved in May CY07).

**Conversation With Management.** We have spoken to SENO management and the sense we get is that this action from HOLX was expected, given the pending full-scale launch of Contura in 1Q:08. Management believes that there are no new additions to the intellectual prior art that would impact their interpretation of claims surrounding the Contura patents.

**First Hearing In April, With Markman Hearings To Follow.** Management has told us that a preliminary hearing is set for sometime in April of this year, where a tentative schedule of events will be set up for the case moving forward — we believe a Markman Hearing would be arranged for sometime afterward (Markman Hearing definition: A hearing where a judge listens to testimony from both parties on the appropriate meanings of the relevant key words used in the claims of a patent).

Important disclosure information is contained on pages 4 - 7 of this report. The recipient of this report is directed to read these disclosures.



SenoRx

SENO, \$8.81, Buy : Despite Patent Litigation, We Continue To Expect Full Launch Of Contura In CY08

**Current Litigation Reminds Us Of Cytoc V. Xoft Case.** The HOLX v. SENO litigation has a similar "look-and-feel" to an intellectual property case that privately-held Xoft brought before Cytoc Corporation in CY05 (pre-HOLX acquisition). In that situation, both companies were brawling over three Cytoc patents (we believe the same patents that are part of today's litigation with SENO) related to the MammoSite brachytherapy catheter. Xoft and Cytoc settled this case out of court back in August of 2007.

**Net/Net, We Remain Comfortable That SENO Rolls Out Full Scale Launch Of Contura In CY08.** While patent infringement cases are impossible to predict, we remain comfortable that Contura will launch without preliminary injunction. Moreover, we see multiple iterations of this case playing out for at least the next 1-2 years before resolution. As such, we remain comfortable with our CY08 assumptions of \$7.4MM in Contura sales.

### VALUATION

Despite the fact that SENO is earnings-negative, the company has grown sales robustly over the past few years, and we believe it should be valued on a price/sales basis relative to its peer group. We think this is a fair valuation metric, given SENO's roughly 40%/year top-line growth over the last two years and our forward sales forecasts that assume a similar growth trajectory. We note that the medical supplies group trades at roughly 3.5X forward sales. We note that better-than-expected gross-margin expansion, share gains in VAB, an expected full-scale launch of Contura by early CY08, and multiple products in the queue give us conviction on our 12-month valuation range of \$11 to \$13 (3.8X to 4.3X our CY08 sales estimate of \$50.4MM).

### RISKS TO VALUATION

Risks to our valuation include: a) More intense competition from deeper-pocketed HOLX and CYTC as they defend their biopsy and radiation delivery franchises respectively; b) Clinical trial risk for Contura; and c) Growing competition in radiation delivery, particularly from manufacturers of external beam radiation oncology instruments.

**SenoRx, Inc. Consolidated Income Statement**

(Fiscal Years Ending December 31; \$ Thousands, except per share)

	YE2006	Q1A	Q2A	Q3A	Q4	Year	Q1	Q2	Q3	Q4	Year	
		2007E						2008E				
Net Revenue	\$25,508	\$7,700	\$8,121	\$8,906	\$10,419	\$35,147	\$10,977	\$11,857	\$13,028	\$14,569	\$50,431	
Cost of Goods Sold	13,506	3,537	3,490	3,556	3,928	14,511	4,116	4,340	4,482	4,808	17,746	
Gross Profit	12,002	4,163	4,631	5,350	6,491	20,636	6,861	7,518	8,546	9,761	32,686	
Operating Expenses:												
Research & Development	5,323	1,468	1,647	1,580	1,750	6,445	1,647	1,725	1,863	2,040	7,274	
Selling & Marketing	15,041	4,300	4,431	4,354	5,355	18,441	5,752	6,130	6,618	7,401	25,902	
General & Administrative	2,050	783	1,105	1,206	1,198	4,291	966	1,026	1,120	1,253	4,365	
Total Operating Expenses	22,414	6,551	7,182	7,140	8,304	29,177	8,365	8,881	9,602	10,693	37,541	
Gain (Loss) From Operations	(10,412)	(2,389)	(2,551)	(1,789)	(1,813)	(8,542)	(1,504)	(1,364)	(1,055)	(932)	(4,855)	
Interest Expense	(5,007)	477	450	453	457	1,837	434	413	392	372	1,611	
Change in Fair Value of Convertible / Warrant		(685)	(305)	0	0	(990)	0	0	0	0	0	
Interest Income		(70)	(561)	(551)	(557)	(1,739)	(562)	(568)	(574)	(579)	(2,283)	
Gain (Loss) Before Provision For Income Taxes	(15,419)	(2,110)	(2,135)	(1,691)	(1,713)	(7,649)	(1,376)	(1,208)	(874)	(725)	(3,244)	
Provision For Income Taxes	0	0	0	0	0	0	0	0	0	0	0	
Net Gain (Loss)	(15,419)	(2,110)	(2,135)	(1,691)	(1,713)	(7,649)	(1,376)	(1,208)	(874)	(725)	(3,244)	
Net Gain (Loss) Per Share	(\$6.61)	(\$0.20)	(\$0.15)	(\$0.10)	(\$0.10)	(\$0.55)	(\$0.08)	(\$0.07)	(\$0.05)	(\$0.04)	(\$0.24)	
Average Shares Outstanding	2,332	10,703	13,901	17,076	17,102	14,695	17,187	17,273	17,359	17,446	17,316	
Year-over-Year Change												
Net Revenues	32.5%	NM	NM	NM	NM	37.8%	42.6%	46.0%	46.3%	39.8%	43.5%	
Cost of Goods Sold	33.7%	NM	NM	NM	NM	7.4%	16.4%	24.3%	26.0%	22.4%	22.3%	
Gross Profit	31.2%	NM	NM	NM	NM	71.9%	64.8%	62.3%	59.7%	50.4%	58.4%	
Research & Development	8.6%	NM	NM	NM	NM	21.1%	12.2%	4.8%	17.9%	16.5%	12.9%	
Selling & Marketing	48.2%	NM	NM	NM	NM	22.6%	33.8%	38.3%	52.0%	38.2%	40.5%	
General & Administrative	-3.1%	NM	NM	NM	NM	109.3%	23.4%	-7.2%	-7.1%	4.6%	1.7%	
Total Operating Expenses	30.6%	NM	NM	NM	NM	30.2%	27.7%	23.7%	34.5%	28.8%	28.7%	
Operating Income	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	
Net Income	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	
EPS - Operating	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	
Margin Analysis												
Gross Margin	47.1%	54.1%	57.0%	60.1%	62.3%	58.7%	62.5%	63.4%	65.6%	67.0%	64.8%	
Research & Development / Revs	20.9%	19.1%	20.3%	17.7%	16.8%	18.3%	15.0%	14.6%	14.3%	14.0%	14.4%	
Selling & Marketing / Revs	59.0%	55.9%	54.6%	48.9%	51.4%	52.5%	52.4%	51.7%	50.8%	50.8%	51.4%	
General & Administrative / Revs	8.0%	10.2%	13.6%	13.5%	11.5%	12.2%	8.8%	8.7%	8.6%	8.6%	8.7%	
Operating Margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	
Net Margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	

Source: Company reports and Neponset Equity Research estimates.



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## Regulatory Required Disclosures

Hologic: Soleil Securities Corp. has managed or co-managed a public offering of securities for the subject company in the past year for which it received fees. (HOLX)

## Analyst Certification

I hereby certify that the views expressed in the foregoing research report accurately reflect my personal views about the subject securities and issuer(s) as of the date of this report. I further certify that no part of my compensation was, is, or will be directly, or indirectly, related to the specific recommendations or views contained in this research report.

By: Junaid Husain

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**Hold:** In the analyst's opinion, the stock will be inline with the general market over the next 12 months.

**Sell:** In the analyst's opinion, the stock will underperform the general market over the next 12 months.

Soleil Securities Distribution of Ratings/IB Services Firmwide and by Sector									
Rating	Count	Percent	IB Serv/Past 12 Mos.		Rating	Count	Percent	IB Serv/Past 12 Mos.	
			Count	Percent				Count	Percent
BUY[BUY]	148	52.30	0	0	BUY[BUY]	21	61.76	0	0
HOLD[HOLD]	125	44.17	0	0	HOLD[HOLD]	13	38.24	0	0
SELL[SELL]	10	3.53	0	0	SELL[SELL]	0	0.00	0	0



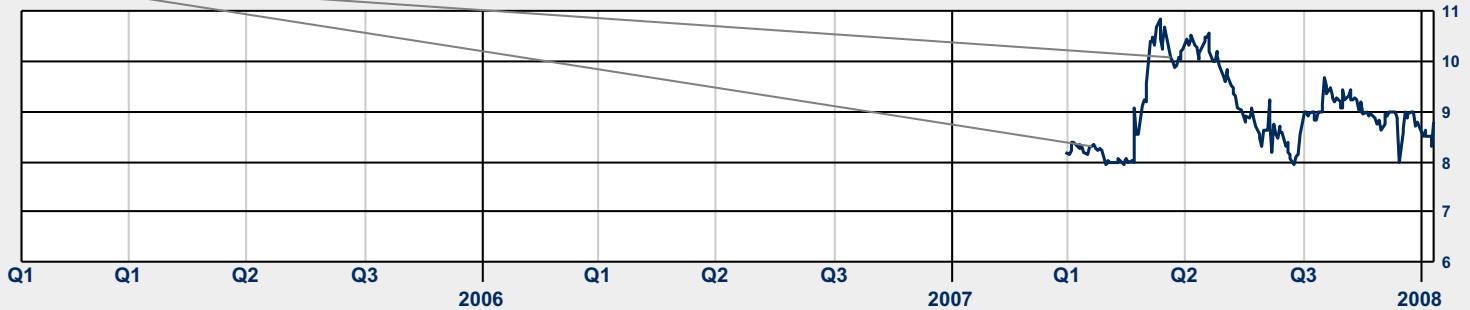
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#### Soleil Securities Rating and Price Target History for: SENO

04/19/07  
I:B:\$12

06/20/07  
B:\$13



Ratings Key: B - BUY H - HOLD S - SELL

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#### Soleil Securities Rating and Price Target History for: HOLX

04/05/07  
I:B:\$70

01/04/08  
B:\$76



Ratings Key: B - BUY H - HOLD S - SELL

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**SenoRx**

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### Companies Mentioned

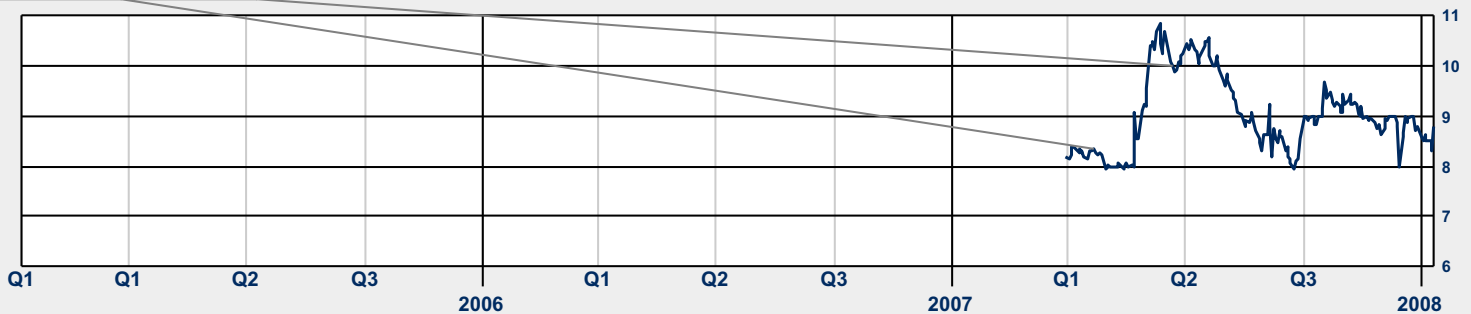
Hologic (HOLX, \$69.74, Buy , Nasdaq)

SenoRx (SENO, \$8.81, Buy , Nasdaq)

Neponset Equity Research, Inc. Rating and Price Target History for: SENO as of 01/10/2008

04/19/07  
I:B:\$12

06/20/07  
B:\$13



Ratings Key: B - BUY H - HOLD S - SELL

Created by BlueMatrix

Neponset Equity Research, Inc. Rating and Price Target History for: HOLX as of 01/10/2008

04/05/07  
I:B:\$70

01/04/08  
B:\$76



Ratings Key: B - BUY H - HOLD S - SELL

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## **Additional Disclosures**